

Summary of Second Quarter of Fiscal Year Ending August 2017

March 31, 2017

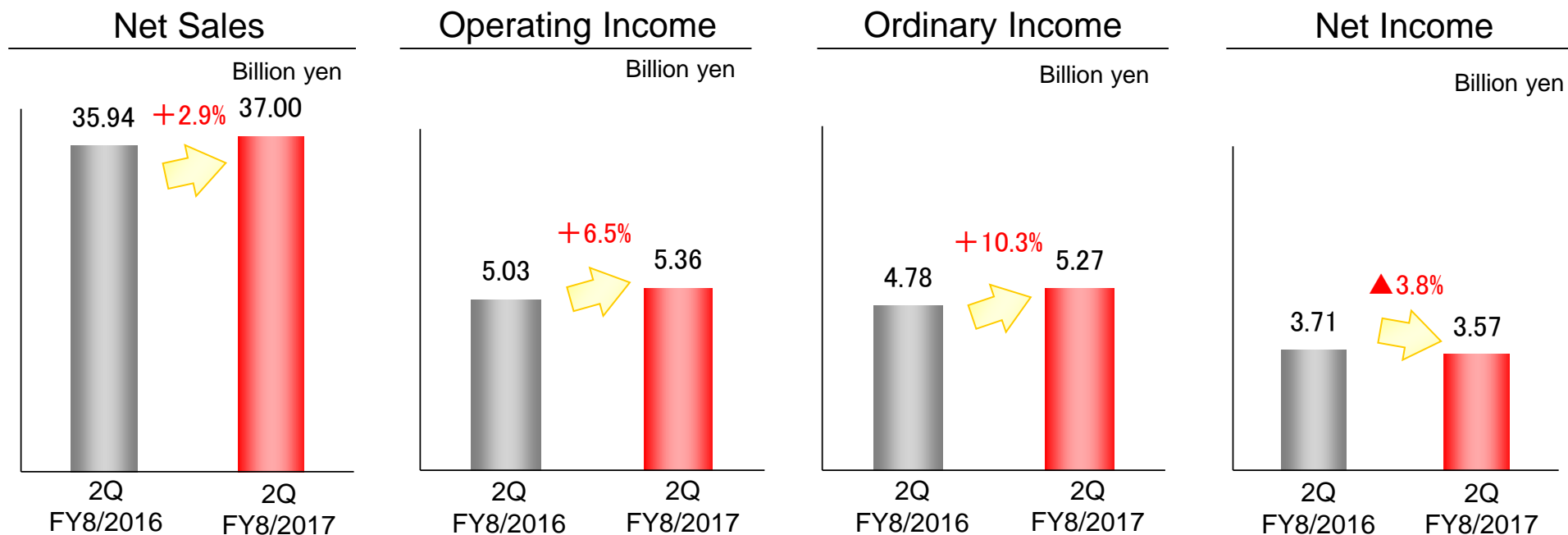


Contents

| | | |
|---------------------------------|--------------|------------|
| 1. Results of Operations | | P2 |
| 2. Financial Indicators | | P7 |
| 3. Operating Highlights | | P12 |
| 4. Second Quarter Topics | | P15 |
| 5. Disclaimer | | P21 |

|| Results of Operations || Second Quarter Financial Highlights

- Sales were generally firm and total sales were higher than one year earlier.
- Operating increased in all segments as the completion of goodwill amortization more than offset expenses for workforce expansion, actions for future growth and other measures. Ordinary income increased as interest expenses declined along with the repayment of loans. Higher income taxes caused net income to decrease.

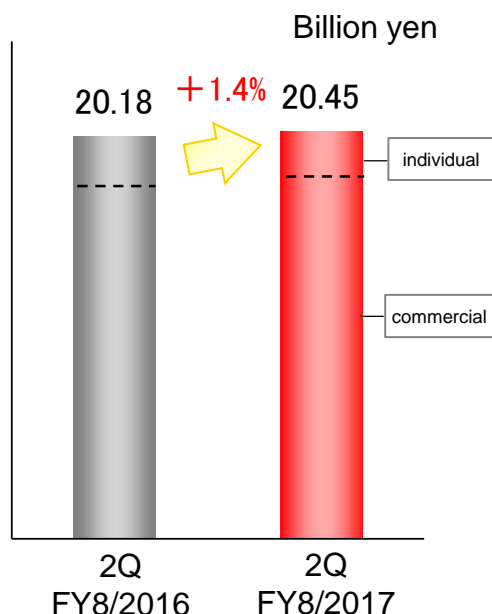


* Monetary amounts are not rounded; percentages are rounded to the nearest tenth.

|| Results of Operations || Second Quarter Financial Highlights

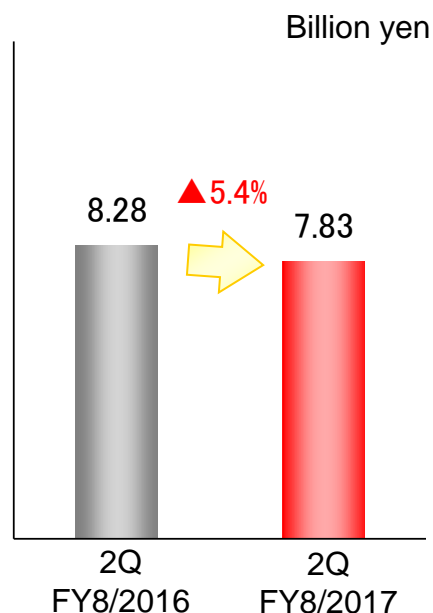
Business Segment Sales

Music Distribution



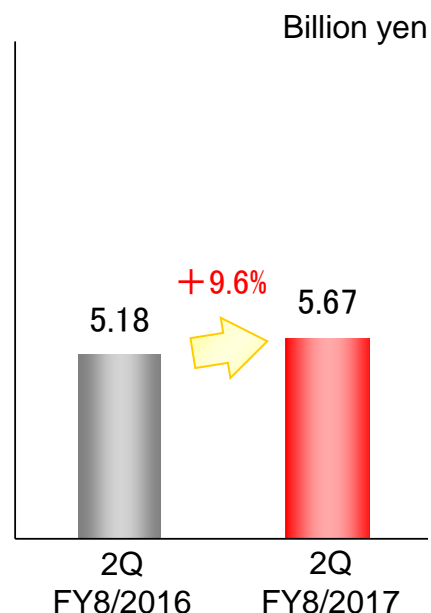
Sales up due to higher sales of store solutions

Business Systems



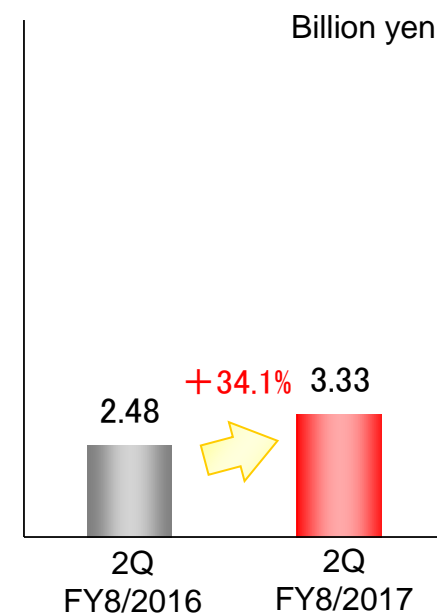
Sales down due to a decline in deliveries of business systems for hospitals and hotels

ICT Services



Sales are climbing due to the increasing number of services provided

Others



Sales up due to growth of the marketing support business and retail electricity business

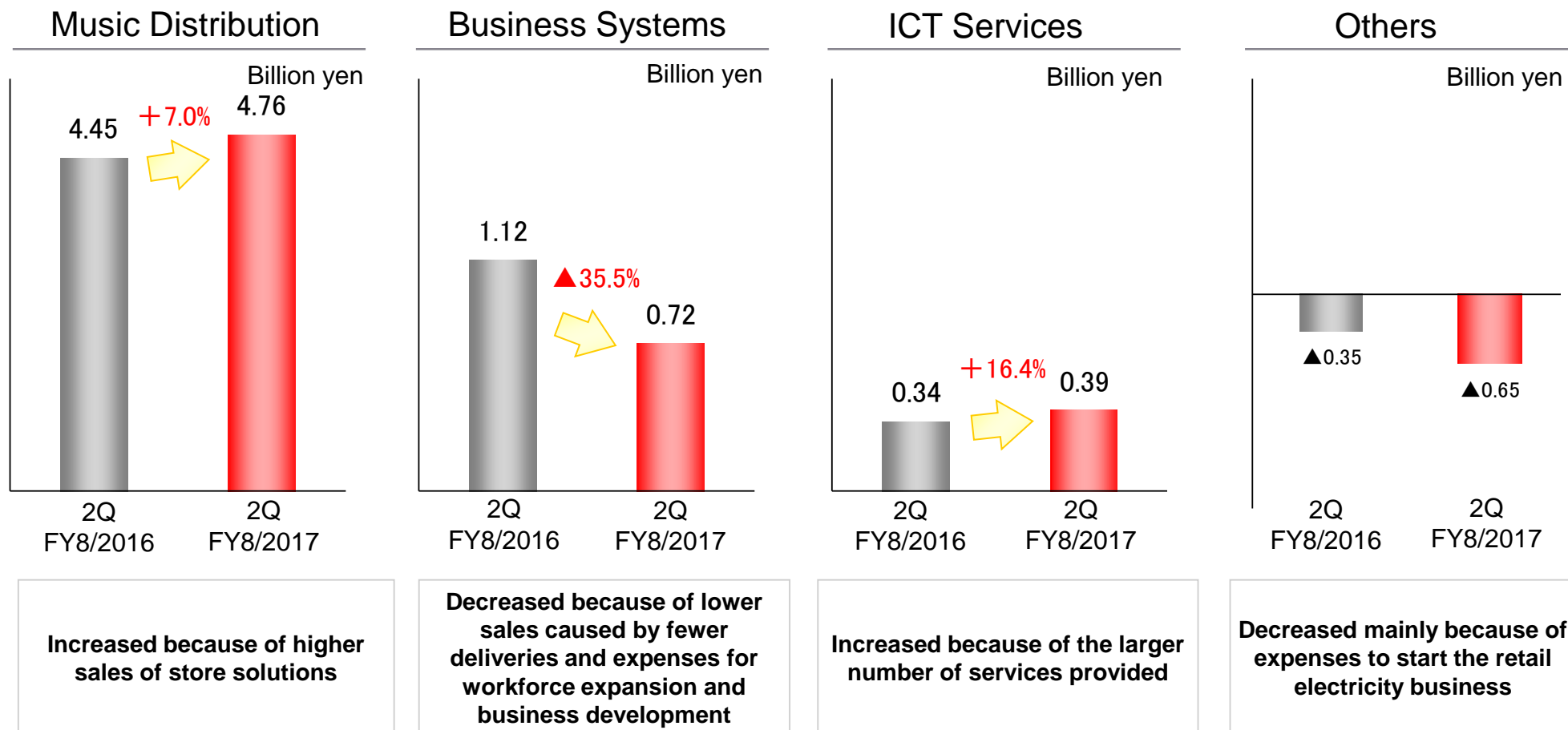
(Ref.) USEN uses commercial sales and consumer sales as one of its performance indicators.

* In FY8/2016, there was a sales deduction of ¥180 million for inter-segment transactions.

* In FY8/2017, there was a sales deduction of ¥300 million for inter-segment transactions.

|| Results of Operations || Second Quarter Financial Highlights

Business Segment Operating Income

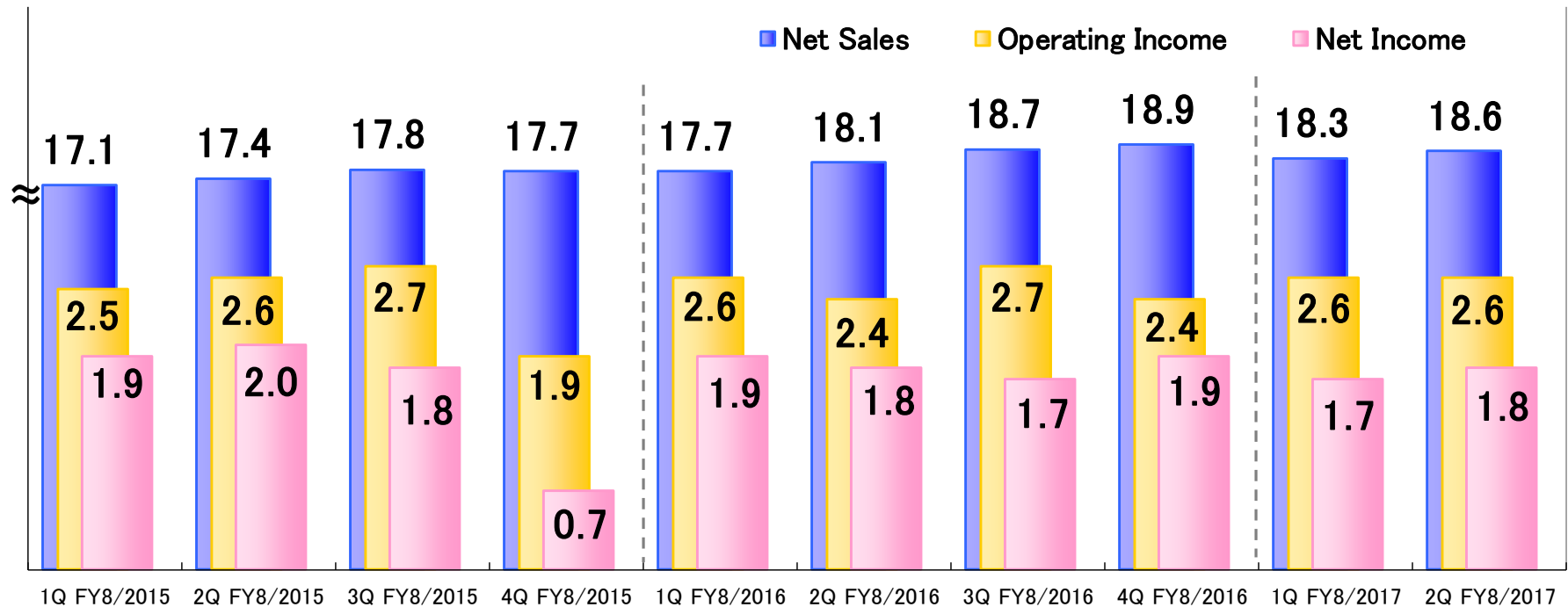


* In FY8/2016, there was an operating income deduction of ¥520 million for inter-segment transactions.

* In FY8/2017, there is an operating income addition of ¥130 million for inter-segment transactions.

|| Results of Operations || Quarterly Consolidated Performance

Billion yen



Second quarter sales and operating income were higher than one year earlier and net income remained stable with little change from one year earlier.

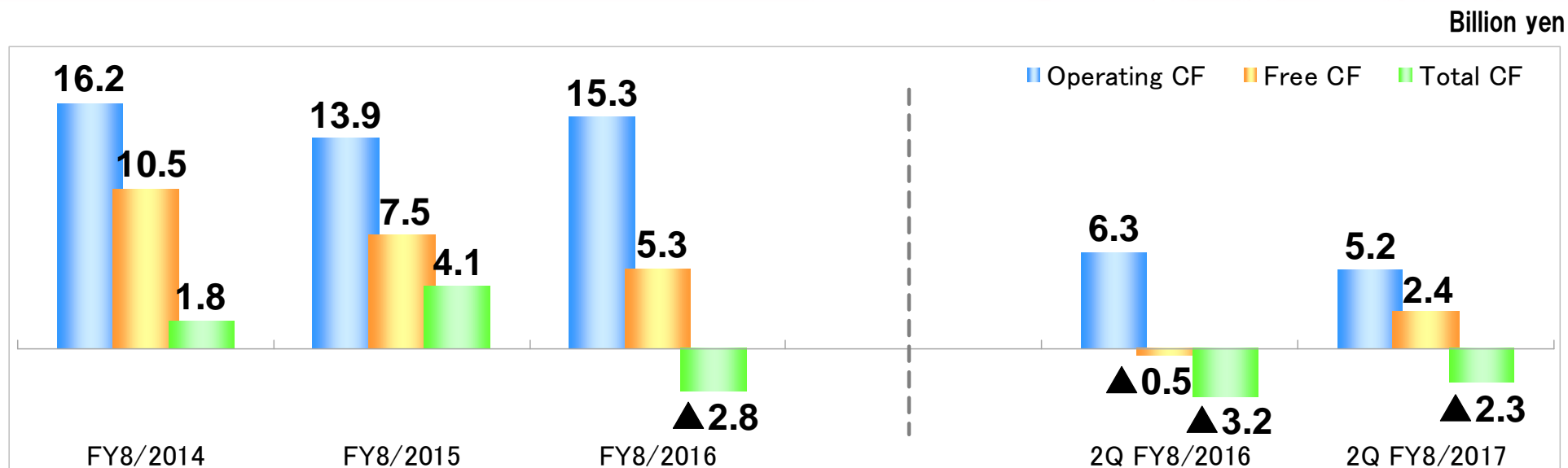
* All figures are not rounded.

|| Results of Operations || Second Quarter Performance vs. Forecast

| Billion yen | FY Forecast (A) | 2Q Actual (B) | Progress (B÷A) |
|------------------|--------------------|------------------|-------------------|
| Net Sales | 78.70 | 37.00 | 47.0% |
| Operating Income | 10.80 | 5.36 | 49.7% |
| Ordinary Income | 10.50 | 5.27 | 50.2% |
| Net Income | 6.10 | 3.57 | 58.6% |

Sales, operating income and ordinary income are consistent with the forecast and net income is ahead of the forecast.

|| Financial Indicators || Cash Flows



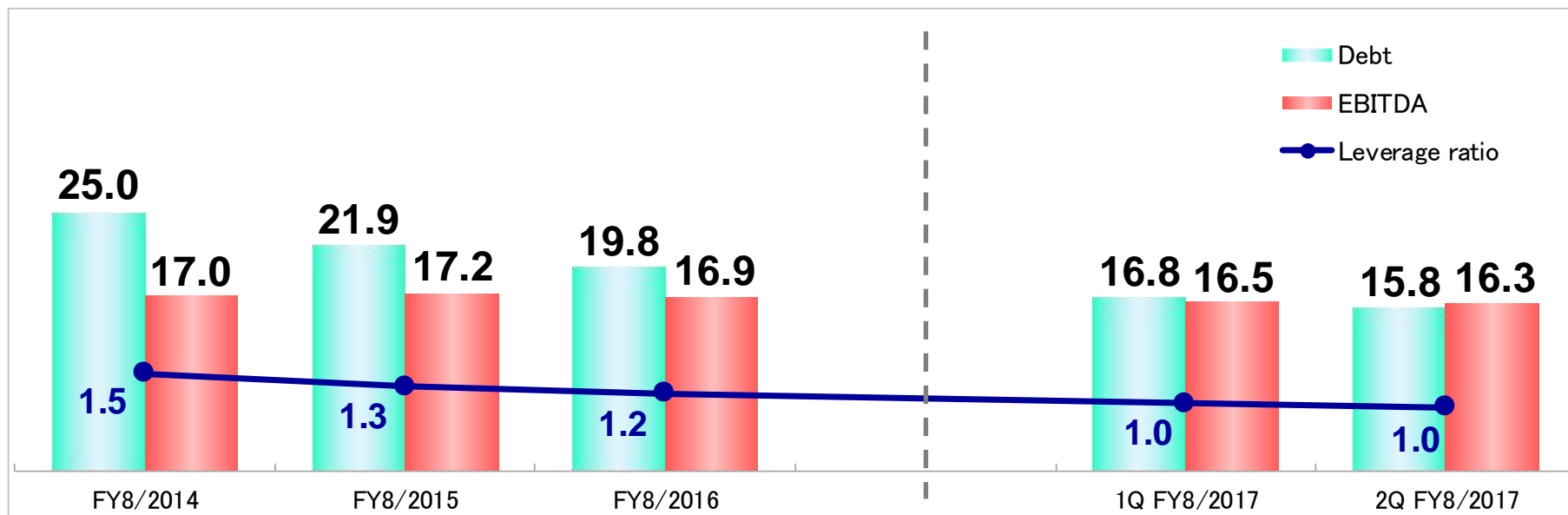
* Free CF = Operating CF + Investing CF ; Total CF = Free CF + Financial CF

| | | | | | |
|--------------|------|------|------|------|------|
| Operating CF | 16.2 | 13.9 | 15.3 | 6.3 | 5.2 |
| Investing CF | ▲5.6 | ▲6.3 | ▲9.9 | ▲6.8 | ▲2.8 |
| Financial CF | ▲8.6 | ▲3.3 | ▲8.2 | ▲2.7 | ▲4.7 |

Operating cash flows were down from one year earlier but free cash flows increased as a big downturn in large investments reduced negative investing cash flows. Cash used in financing increased due to the reduction of debt (about ¥4 billion) and dividend payments (about ¥600 million). Total net cash outflows were down by about ¥900 million from one year earlier.

|| Financial Indicators || Leverage Ratio

Billion yen , Times



* EBITDA = Operating income + Depreciation + Depreciation of goodwill

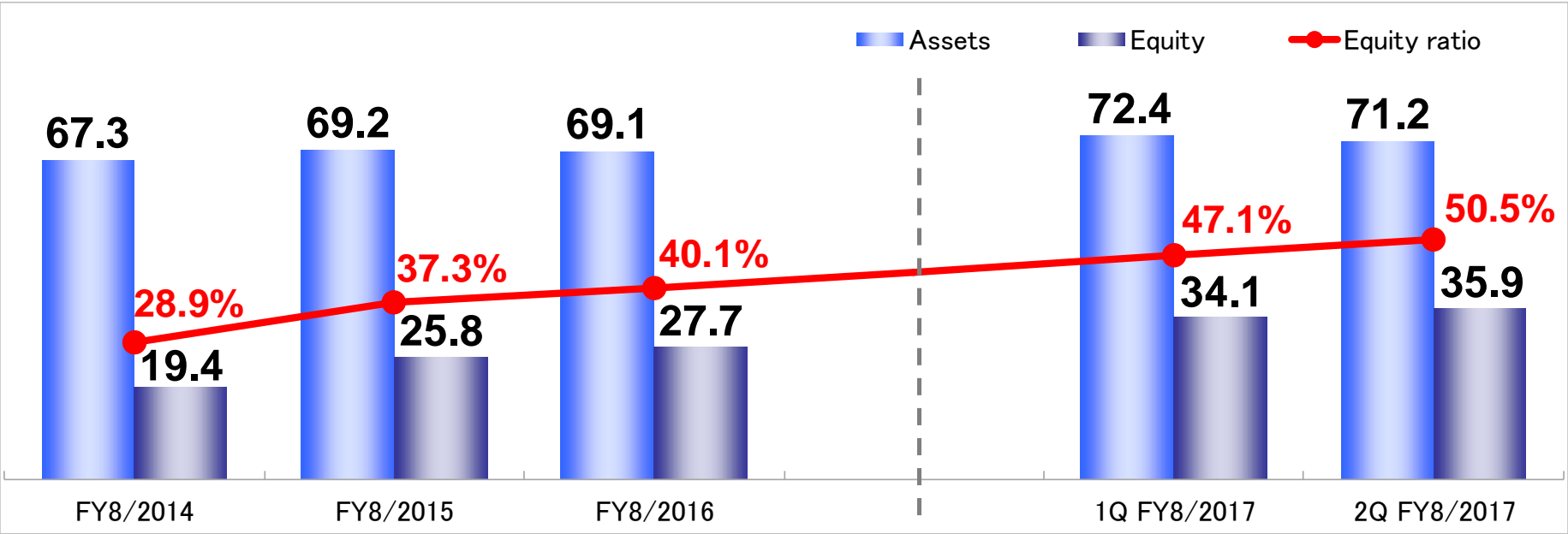
* EBITDA is for the most recent 12-month period

* Leverage ratio = Debt / EBITDA for past 12 months

EBITDA was about the same as in the first quarter. The leverage ratio was unchanged despite the decline in loans as debt reductions continue.

|| Financial Indicators || Equity Ratio

Billion yen , %

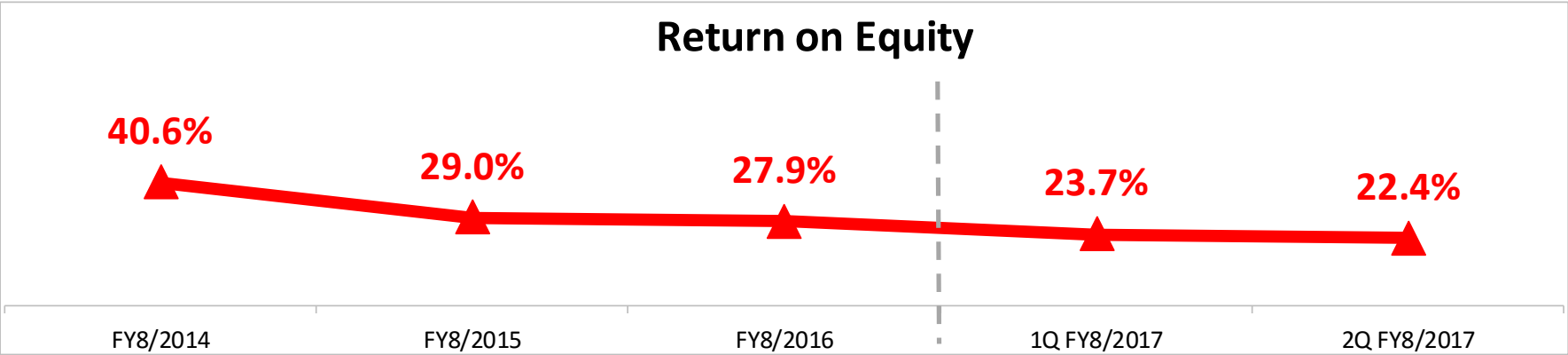
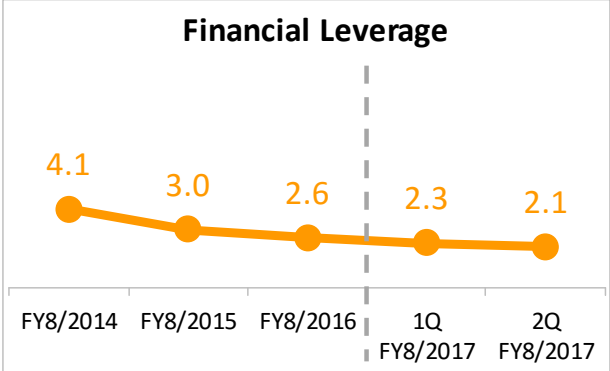
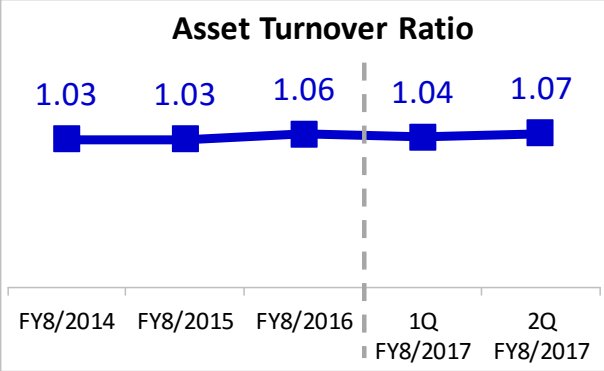
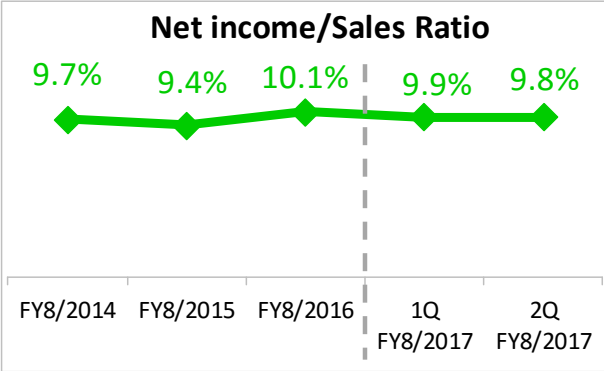


* Equity = Net assets – Stock acquisition rights

Assets were down ¥1.2 billion from the end of the first quarter and the equity ratio rose to 50.5% because of the increase in retained earnings.

○ Deferred tax assets and net assets each increased about ¥5.2 billion because of a revision in the tax effect accounting method implemented at the beginning of FY8/17. See the page 6 of the current fiscal year's Second quarter tanshin for more information.

|| Financial Indicators || Return on Equity



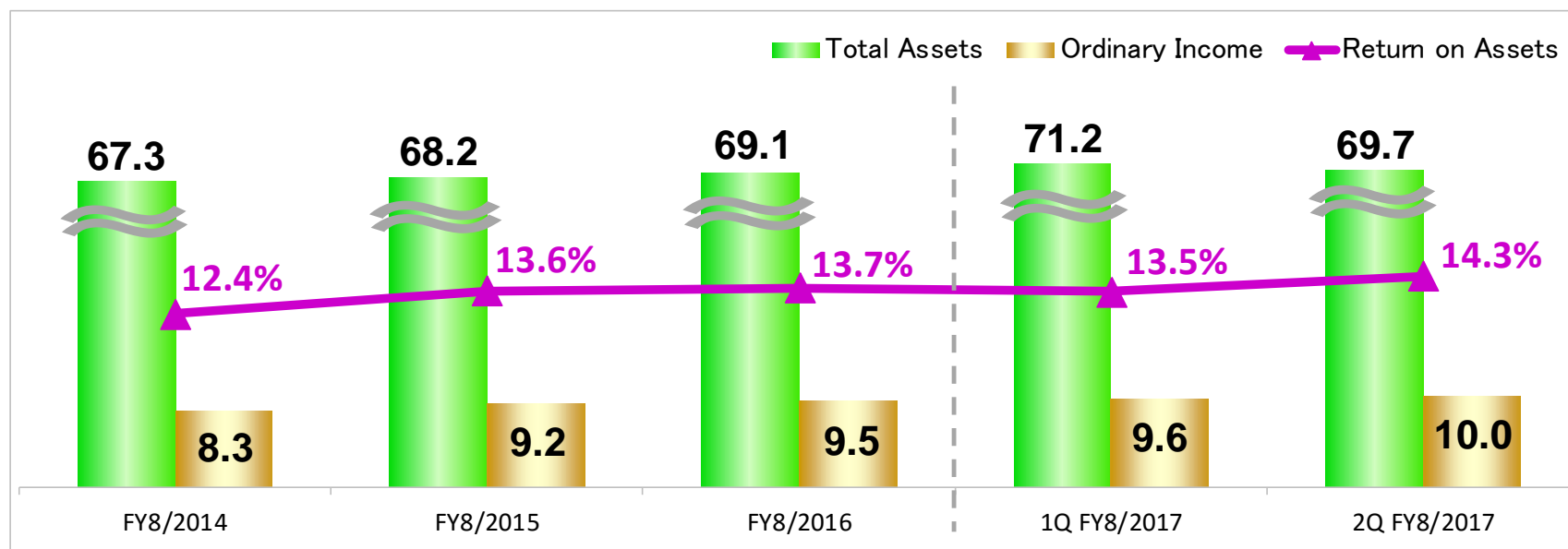
* Return on equity (ROE) = Sales/Net income ratio x Asset turnover ratio x Financial leverage

* Sales and net income are for the last 12-month period and assets and equity are the averages of the amounts at the ends of the current and previous FY

The net income/sales ratio and asset turnover ratio were steady. The ROE was 22.4% as financial leverage decreased along with the continuing reduction in debt.

|| Financial Indicators || Return on Assets

Billion yen , %



* Ordinary income return on assets (ROA) = Ordinary income / Average FY assets x 100

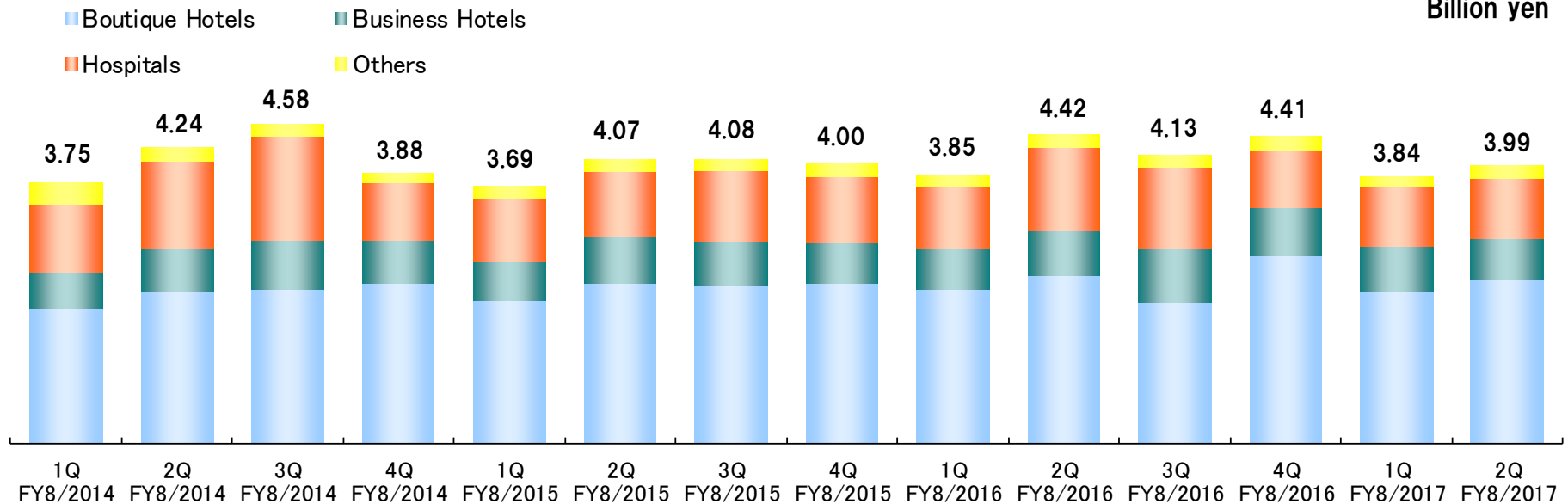
* Ordinary income is for the last 12-month period.

* Assets are the average of the amounts at the ends of the current and previous FY.

The ROA increased to 14.3% because of higher ordinary income, mainly the result of lower interest expenses as debt declines, and a decrease in average assets in the second quarter.

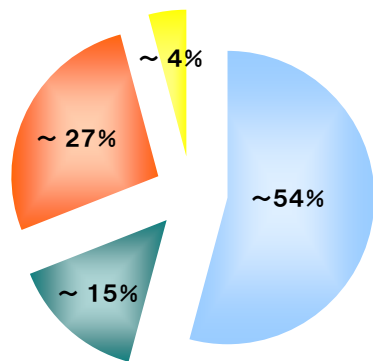
|| Operating Highlights (Business Systems) || Sales Composition

■ Quarterly Sales



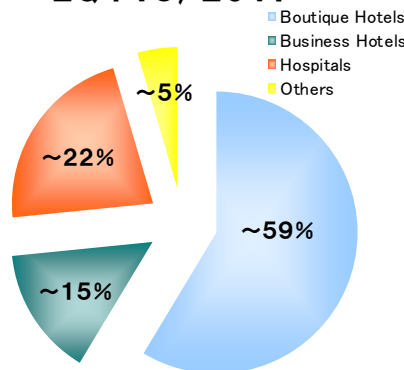
■ Year-on-year change

2Q FY8/2016



4.42 Billion yen

2Q FY8/2017



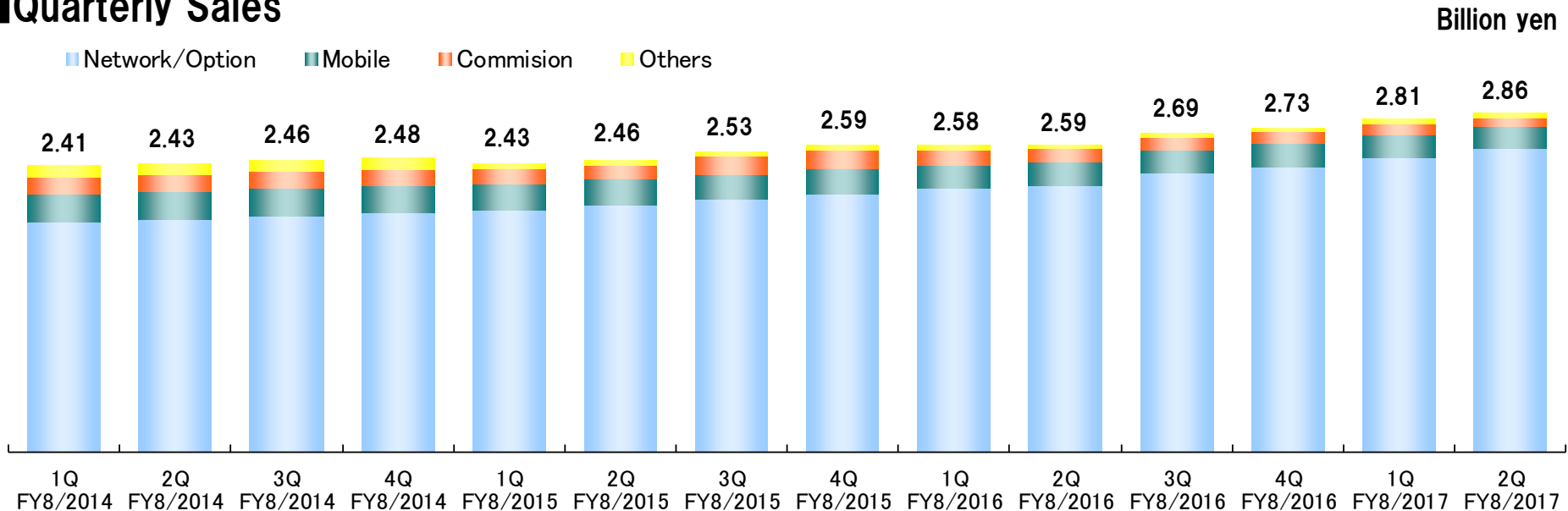
3.99 Billion yen

○ Sales were higher than in the first quarter but down from one year ago.

- The requirement for medical care receipts at hospitals with fewer than 400 beds made a contribution to FY8/16 2Q sales.
- April launch planned for TEX-30, an automatic payment processing unit for clinics and dispensing pharmacies. Has a lower price and operating cost along with a compact size.

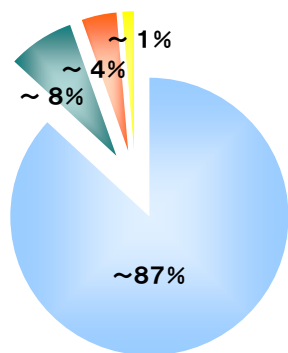
|| Operating Highlights (ICT Services) || Sales Composition

■ Quarterly Sales



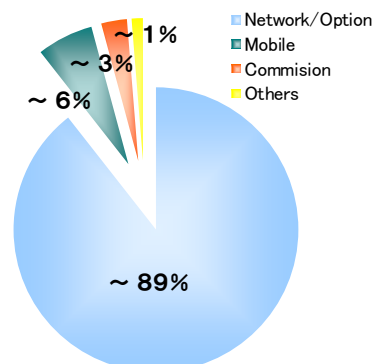
■ Year-on-year change

2Q FY8/2016



2.59 Billion yen

2Q FY8/2017



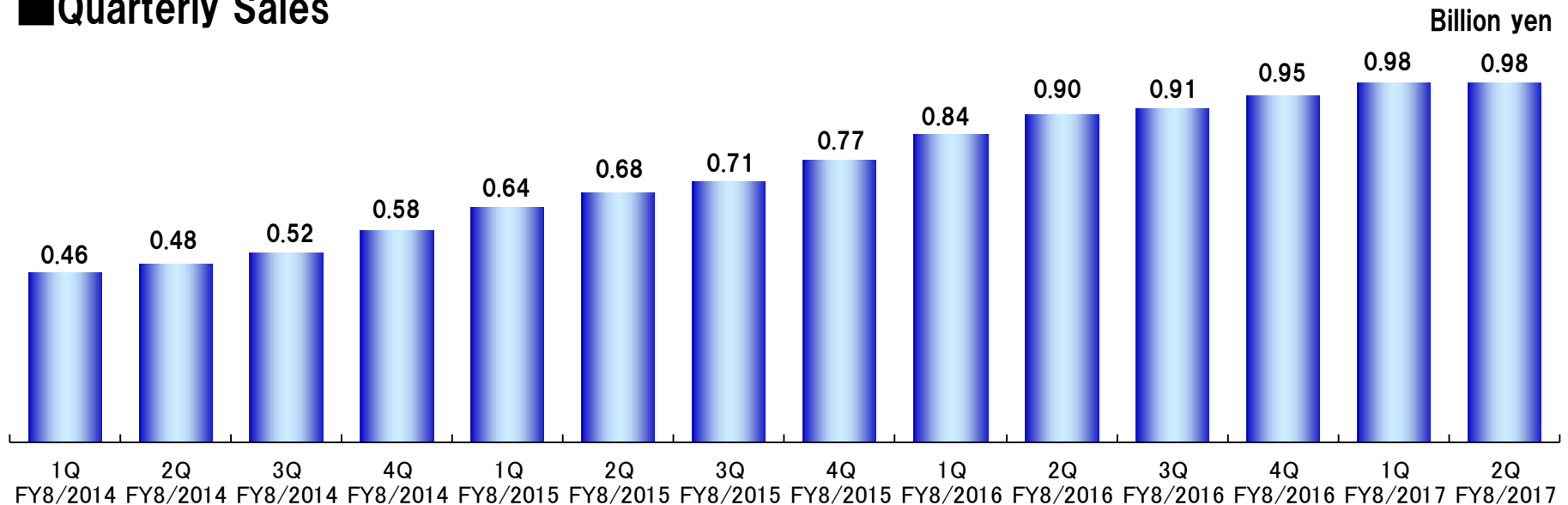
2.86 Billion yen

○ Sales higher than in the first quarter and one year earlier

- Continuing growth in the core network/optional services category supported segment sales growth.
- Started selling Premia Internet, a new Internet service with a high-quality backbone to handle next-generation, high-volume traffic.

|| Operating Highlights (Others) || Marketing Support Sales Composition

■ Quarterly Sales



○ Sales were about the same as in the first quarter

- Brisk sales at *Hitosara*, USEN's dining website, and for associated services (first quarter includes extra sales due to the year-end and new year party season)
- In November 2016, more information tie-ups for USEN's Cozy Japan/SAVOR JAPAN websites for foreign tourists in Japan. Linked with restaurant and chef data to supply sightseeing info as well as even more content for restaurant selections by these tourists.
- The Wecolle Concept Wedding Event, held by the Tokyo Wedding Collection, took place at the Tokyo International Forum in February 2017. Information about affiliated wedding sites and bridal salons was provided to more than 2,700 people, representing about 1,500 couples.

▶ Premium Friday commentary broadcast added to “Sound Design for OFFICE” BGM for office workers

USEN’s “Sound Design for OFFICE” office music broadcasting service is one way to reduce overtime and promote communication among employees. USEN has now added three programs associated with Japan’s Premium Friday campaign for leaving work early on the last Friday of each month.

All three programs are structured to raise awareness of the Premium Friday campaign of the Ministry of Economy, Trade and Industry by combining BGM with commentary that helps people lead a more fulfilling life.

One of the programs uses the soft voice of Hiroshi Masuoka, the voice of the popular Masao-san character of the enormously popular Sazae-san manga, to tell people about Premium Friday with a gentle touch.



USEN started its own Premium Friday on February 24, 2017. There was much TV and other media coverage. Launching this service helped raise awareness of various USEN activities, including measures for new ideas and formats for how people do their jobs.

▶▶ Announcement of USEN HIT ranking for 2016

USEN announces “2016 USEN HIT Ranking,” based on requests from listeners and on-air data of USEN music broadcasts aggregated by the company



The USEN HIT J-POP top-ranked song for 2016 was “A Bouquet for You” by Hikaru Utada

In April 2016, USEN started distributing *Hanatabi o Kimi ni* (“A Bouquet for You”) by Hikaru Utada, the main theme song of the NHK TV drama “Toto Ne-chan.” In September, Hikaru Utada released an album that was a big hit, making this song even more popular. The song stayed in the rankings for 8 months and was played frequently throughout Japan.



The 2016 top Western song was “Work From Ft. Ty Dollar Sign by Fifth Harmony.

This song is the second title from Fifth Harmony, a group that was discovered at the U.S. version of the popular audition program “X Factor.” Fifth Harmony is the first female group to reach the U.S. top 10 in a decade and a Fifth Harmony video was selected by YouTube as the most popular music video of 2016.

|| Second Quarter Topics || Marketing Support

- ▶ New USEN magazine “bangs TOKYO” debuted in December 2016
The cover of the first issue featured actress and model Ayami Nakajo



“bangs TOKYO” is a publication of the *bangs* website that helps people locate stylists.

Frequency : Seasonal (March, June, September, December)

Circulation/size : 52,000 issues printed/60 pages/A4/No charge

Distribution : Placed on racks at railway stations in Tokyo including Shibuya, Sinjuku and Roppongi.

Readers : Target is young working women interested in beauty care, fashion and music

|| Second Quarter Topics || Other Business Highlights

▶▶ First ever children's dentist search function added to the Dental Concierge dentist portal site



The new search function, which started in January 2017, includes a list of pediatric dentists who are certified by the Japan Society of Pediatric Dentistry along with the clinics where these dentists are located.

This capability makes more people aware of the existence of pediatric dentists, who are only about 1% of the more than 100,000 dentists in Japan. People can easily acquire information about these specialists in order to receive the care their children require.



Opinion and recommendation about tender offer by U-NEXT SPC1

Recommendation to USEN shareholders to tender shares in response to following tender offer by U-NEXT SPC1 (tender offeror)

Summary

Offering period: February 14 to March 28, 2017

Start of payments: April 4, 2017

Purchase price: ¥461 per share of USEN common stock

Shares to be purchased: 134,616,160

(minimum number of share to be purchased was revised to 65,934,200 on March 10)

Results of the tender offer for USEN stock by U-NEXT SPC1 (tender offeror).

A total of 107,825 shares were tendered, a figure higher than the planned minimum of 65,934,200 shares)

Since the tender offer has been successful, USEN was notified by the tender offeror of its intention to acquire the tendered shares.

Assuming that the tender offer is settled on April 4, 2017, the tender offeror will hold more than 50% of the voting rights of USEN as of the above date, thus making the tender offeror our new parent company or a new major shareholder.

U-NEXT which owns 100% of the voting rights of the tender offeror will indirectly, through the tender offeror, own USEN shares and will become USEN's parent company.

Revision to August 2017 dividend forecast and end of shareholder benefit program

USEN will not pay a dividend to shareholders of record on August 31, 2017 and has terminated special benefits for shareholders. These actions were taken prevent differences in economic benefits regarding shareholders who sold their USEN stock through the management integration tender offer.

Basic agreement signed for management integration with U-Next

The USEN Board of Directors approved a basic agreement concerning a management integration with U-Next Corp. A final contract to execute this integration is to be signed in June 2017 and the goal for implementing the integration is December 1, 2017.

This presentation was prepared by using numbers and other data that are believed to be reliable. However, USEN makes no guarantee that this information is accurate or complete.

Statements about USEN's plans, strategies and other items that are not historical facts are forward-looking statements that are based on the judgments of management using currently available information. Actual results of operations may differ from these statements for a number of reasons.

This presentation was prepared solely for the purpose of providing information that can be helpful for making investment decisions. No information in this presentation is provided for the purpose of soliciting an investment.